

Message Text

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ACTION TRSE-00

INFO OCT-01 SS-14 ADP-00 EUR-10 EB-03 NSC-10 NSCE-00

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 6368

C O N F I D E N T I A L BONN 10275

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DEPARTMENT PASS TREASURY FOR ASSISTANT SECRETARY
HICKMAN, N. GORDON AND L. WIDMAN

E.O. 11652: XGDS-L

TAGS: EFIN, GW

SUBJECT: GERMAN CORPORATE TAX REFORM

1. THE EMBASSY'S ECONOMIC/COMMERCIAL MINISTER AND FINANCIAL ATTACHE TODAY AGAIN CALLED ON FINANCE MINISTRY PARLIAMENTARY STATE SECRETARY PORZNER FOR A BRIEFING ON THE STATUS OF THE GOVERNMENT'S CORPORATE TAX REFORM PROPOSAL. PORZNER INDICATED THAT THE GOVERNMENT NOW PLANNED TO INTRODUCE THE TOTAL INCOME TAX REFORM PACKAGE INTO PARLIAMENT IN THE LATE FALL, PROBABLY IN NOVEMBER. IN ACCORDANCE WITH COALITION AGREEMENTS A CORPORATE INCOME TAX REFORM LAW WOULD BE PART OF THIS PACKAGE. THE DRAFT LAW WOULD PROVIDE INDIVIDUAL INCOME TAX CREDIT ON CORPORATE TAXES PAID ON DIVIDENDS ALONG THE LINE OF THE 56/36 PERCENT MODEL.

2. PORZNER INDICATED THAT THE GOVERNMENT WOULD TRY TO SPEEDILY PUSH THE INCOME TAX REFORM THROUGH PARLIAMENT. HE WAS VIRTUALLY CERTAIN HOWEVER (ESSENTIAL THIS
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INFO BE MOST CLOSELY HELD AND PROTECTED) THAT HIS OWN

PARTY, THE SPD, WOULD ONLY BE PREPARED TO AGREE TO THE CORPORATE TAX REFORM IN CONJUNCTION WITH A DM 4 BILLION PER YEAR WORKERS CAPITAL PARTICIPATION SCHEME WHICH IS ALSO PART OF COALITION AGREEMENTS. WORK ON DRAFTS FOR THE CAPITAL PARTICIPATION SCHEME IS NOT YET VERY FAR ADVANCED, HOWEVER, AND PORZNER FELT FAIRLY CERTAIN THAT THE CORPORATE TAX REFORM WOULD THEREFORE AT SOME POINT IN THE PARLIAMENTARY CONSIDERATION DROP OUT OF THE INCOME TAX REFORM PACKAGE AND PROBABLY WOULD NOT BE ENACTED DURING THIS SESSION OF THE LEGISLATURE, IE., PRIOR TO 1976.

3. PORZNER STILL HOPES TO BE ABLE TO COME FOR A SHORT GET-ACQUAINTED VISIT TO WASHINGTON THIS FALL, BUT IN VIEW OF PARLIAMENTARY CONSIDERATION OF THE VARIOUS TAX REFORM PROPOSALS THE TIMING IS STILL VERY UNCERTAIN.
HILLENBRAND

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